

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5904-02
Bill No.: Truly Agreed To and Finally Passed HCS for HB 1818
Subject: Taxation and Revenue - Property; Property, Real and Personal
Type: Original
Date: May 31, 2012

Bill Summary: This proposal changes property tax provisions relating to time-share units and requires county assessors to consider market factors in determining value of real property for tax purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Blind Pension Fund	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** state this proposal will have no fiscal impact on their agency.

Officials from the **State Tax Commission** state this proposal will not have a fiscal impact on their agency. There will be additional administrative duties for the assessor's offices as a result of this proposal. The amount of additional duties is unknown.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to BAP.

This proposal changes the classification of time-share units for property tax purposes from commercial to residential based on the ratio of the nights rented to nights available. Commercial properties are assessed at 32% of its value, while residential property is assessed at 19% of its value. This proposal would reduce the taxable base, and if a municipality is unable to adjust its levy, would reduce municipal receipts, including those for schools. This proposal would reduce Blind Pension Fund receipts by an unknown amount.

In response to the Perfected version of this bill, officials from the **Office of Attorney General** assumed that any potential costs arising from this proposal could be absorbed with existing resources.

Also in response to the Perfected version of this bill, officials from **St Louis County** stated there are no declared time-shares. If they did exist, there would be a marginal cost in maintaining them on the parcel records.

Oversight assumes while there are areas in the state that have time-share units, additional administrative duties for assessor's offices associated with this proposal could be performed with existing resources.

§137.076

According to **BAP** officials, this section of the bill requires county assessors to consider foreclosures and bank sales when determining the assessed value of real property. If assessors are not already including such information, and if such information results in lower assessed values, and if a subdivision is unable to increase its levy, then this proposal could reduce

ASSUMPTION (continued)

municipal receipts, including those for schools, and Blind Pension Fund Receipts.

Oversight is not able to predict the extent, if any, by which foreclosure and other distress sales would reduce future market value calculations for property tax assessment purposes. Oversight also notes that such sales would reduce property tax revenues only to the extent that local governments are unable to increase their tax levy rates to recover the loss of assessed valuation.

If local governments are able to increase their tax levy rates to recover those losses, this proposal would likely shift the property tax burden from certain areas within counties to other areas in the county, and to agricultural and commercial property owners.

Oversight has reviewed the available information as to current levies and maximum authorized levies for local governments, and has noted that certain local governments would have the ability to increase their levy rates beyond current levels. Oversight does not have any information as to the current valuation or location of properties which could potentially be impacted by distress sale data, nor do we have the information that would be required to determine which local governments could increase their levy rates to recover the loss of assessed valuation associated with this proposal.

Oversight will indicate no fiscal impact for this section of the bill.

Officials from the **Special School District of St Louis County** do not expect material fiscal impact from this legislation.

In response to identical language in SB 510 (4503-02) from this session, officials from **St Louis County** assumed the current proposal would not fiscally impact their county.

In response to a similar bill from last year, SB 52 (0222-01), the follows responses were received:

Officials from **Clay County** stated that their organization already includes foreclosures in sales data used to determine taxable valuations, and that the extent to which foreclosure data is used varies by location.

Officials from the **Blue Springs School District** assumed the financial impact to school districts would be in the tens of millions of dollars.

ASSUMPTION (continued)

Officials from the **Fair Grove School District** assumed that the proposal would increase assessment costs in their location and would negatively impact school districts.

Officials from the **Parkway School District** stated that the cost of the proposal to their district is unknown at this time.

Officials from the **St. Louis Public Schools** assumed that the proposal would have no fiscal impact on their district since any changes in valuation would be offset by a levy rate adjustment.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
BLIND PENSION FUND			
<u>Revenue reduction</u> - Change in assessment value of time-share units	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue reduction</u> - Change in assessment value of time-share units	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

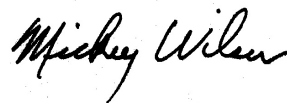
This proposal changes the classification of time-share units for property tax purposes from commercial to residential property based on a ratio of the nights the time-share units are actually rented compared to the overall nights available for use in that time-share development.

This bill also requires county assessors to consider foreclosures and bank sales when establishing the value of parcels of real property for property tax purposes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration
 Division of Budget and Planning
Department of Revenue
State Tax Commission
Counties
 St Louis
 Clay
School Districts
 Special School District of St Louis County
 Blue Springs
 Fair Grove
 Parkway
 St Louis



Mickey Wilson, CPA
Director

L.R. No. 5904-02
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Page 7 of 7
May 31, 2012

May 31, 2012

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